MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

8 MARCH 2019
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with **4** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

According to Malaysian Accounting Standard Board (MASB), annual report of the company consists of the following report:

1. The Chairman's Statement
2. Corporate Governance Statement
3. The Audit Committee Report
4. Statement of Internal Control
5. Social Responsibility Statement; and
6. Financial statements

Instructions

(a) Briefly explain the Chairman's Statement and Statement of Internal Control which are required to be reported in annual report. (4 marks)

(b) Financial statements that are included in the annual report consist of three elements. List **TWO** (2) of them. (1 mark)

Part B

Symphony Bhd. was incorporated on 1 April 2018 and offered for subscription an initial offering of 300,000 8% preference shares of RM2 each, payable in full on application. The company also issued 700,000 ordinary shares at RM1.20 each payable at the following terms:

On application	RM0.40
On allotment	RM0.30
During 1st call	RM0.30
During 2nd and last call	RM0.20

Symphony Bhd. received unexpected response of 1,200,000 applications for ordinary shares. However, the company's director refuse to accept half of the excess applications and allotted the remainder on a pro-rata basis. Any surplus money on application was used to pay up on allotment.

All monies due on allotment and 1st call were received when due, but one shareholder who held 20,000 shares paid the 2nd call money together with the 1st call money. During the 2nd call and last call, all monies due were received except two shareholders who held 40,000 shares each, failed to make a payment.

Instructions

(a) Journalise the entries to record the above transactions. (13.5 marks)

(b) Prepare the extract of the Statement of Financial Position for the company after the 1st call. (2.5 marks)

Continued...

Part C

Given below is the Statement of Financial Position of Coral Park Bhd. as at 31 October 2018.

Coral Park Bhd. **Statement of Financial Position as at 31 October 2018**	
	(RM)
Assets	
Non-current assets	800,000
Current assets	630,000
Cash at bank	250,000
	1,680,000
Issued and paid up capital	
600,000 Ordinary shares of RM1.50 each	900,000
Reserves	
Retained profits	185,000
Non-current Liabilities	
250,000 8% redeemable preference shares of RM2 each	500,000
Current Liabilities	
Trade and other payables	95,000
	1,680,000

Additional information:

1. Coral Park Bhd. decided to redeem three-quarter of its redeemable preference shares on 1 November 2018.
2. To finance the redemption, the company issued 150,000 ordinary shares of RM1.80 each and the remainder by utilising its retained profits.

Instruction

Prepare the journal entries to record the above transactions. (4 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 2

The following is a Trial Balance as at 30 June 2018 extracted from the books of Blue Ocean Bhd.

Blue Ocean Bhd. **Trial Balance as at 30 June 2018**		
	Debit (RM)	**Credit (RM)**
Cash at bank	180,000	
Inventories	95,000	
Trade receivables	155,000	
Long-term investments	420,000	
Plant and machinery	850,000	
Office Equipment	240,000	
Motor vehicles	180,000	
Research and development	160,000	
Goodwill	135,000	
Accumulated losses	330,000	
Trade payables		80,000
Directors' loan		255,000
1,200,000 ordinary shares of RM1.50 each		1,800,000
440,000 8% preference shares of RM1 each		440,000
Revaluation reserve		170,000
	2,745,000	**2,745,000**

The company had a major loss for the past 5 years which cause the company suffer from losses to date. The losses triggered many failure towards Blue Ocean Bhd's operations. Few shareholders started to sell their shareholding ever since they did not get their dividend.

During a meeting of shareholders and directors, it was decided to carry out a scheme of internal reconstruction due to the financial difficulties faced by the company. The following scheme was duly passed and the approval of the court was obtained:

1. Both ordinary shares and preference shares are to be reduced to RM0.60 each fully paid.
2. The preference shareholders to receive five ordinary share of RM0.60 each for every RM1 preference dividends in arrears (arrears on preference dividend: RM120,000)
3. All non-current assets are at net book value and revalued as follow:

	(RM)
Plant and machinery	660,000
Office equipment	320,000

Continued...

Motor vehicles	145,000
Inventories	105,000
Trade receivables	180,000
Long-term Investments	448,000

4. The directors agreed to accept cash of RM123,000 in payment of loan from directors and the remaining is to be settled by issues of 220,000 ordinary shares of RM0.60 each.
5. Contingent liability has not been provided for a damages worth RM28,000 and yet the company settled the full amount.
6. Half of the revaluation reserve is to be used for the scheme.
7. Subsequent to revaluation of assets, long-term investments were sold at its' market value.
8. Cost of reconstruction is RM35,500.
9. To write off the accumulated loss and all intangible assets.

Instructions

(a) Prepare the journal entries to record the capital reduction. (10 marks)

(b) Prepare capital reduction account. (8 marks)

(c) Prepare the Statement of Financial Position of the company after the capital reduction had been completed. (7 marks)

[TOTAL 25 MARKS]

QUESTION 3

Partners in Mem & Co. Company, Dyan, Tyaa and Lyza decided to convert their partnership business into a limited liability company after more than 10 years running a business together.

On 1 July 2018 the new company was incorporated with the name Mohkitta Bhd. to purchase all assets (excluding cash at bank) and liabilities of Mem & Co. Company.

Given below is the Post-closing trial balance of Mem & Co. Company as at 30 June 2018.

Mem & Co. Company **Post-closing Trial Balance as at 30 June 2018**		
	DEBIT (RM)	**CREDIT (RM)**
Bank	187,000	
Trade Receivables	132,000	
Inventories	104,000	
Prepaid rent	9,000	

Continued...

Land and building	400,000	
Office Equipment	320,000	
Accumulated depreciation - Office equipment		57,000
Note Payables		200,000
Trade Payables		95,000
Dyan, Capital		400,000
Tyaa, Capital		300,000
Lyza, Capital		100,000
	1,152,000	**1,152,000**

Dyan, Tyaa and Lyza are to be the major shareholders of the new company. Each of them subscribed for 500,000 ordinary shares at RM1 each in Mohkitta Bhd. payable immediately in cash.

The sale and purchase agreement provided that:

1. Mohkitta Bhd is to discharge the purchase price by issuance of 650,000 fully paid ordinary shares at RM1.20 to the partnership as purchase consideration.

2. The assets are to be taken over at the following values:

Land and building	RM470,000
Office Equipment	280,000
Trade receivables	113,000
Inventories	98,000
Prepaid rent	6,000

3. The liquidation expenses of RM3,000 was to be paid by Mem & Co. Company.

4. The partners have agreed that any profits and losses on realisation and any cash remaining on liquidation of their partnership should be distributed between partners according to the ratio of their last agreed capital; ratio (4:3:1).

Instructions

(a) Calculate the goodwill. (5 marks)
(b) Prepare journal entries to close the book of Mem & Co. Company (14.5 marks)
(c) Calculate the total ordinary share capital that will be recorded in the new company, Mohkitta Bhd. (3.5 marks)
(d) State at least **FOUR** (4) factors to be considered in determining the consideration transferred or purchase price in conversion of a sole proprietorship or partnership into a company? (2 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 4

Part A

Answer the following independent questions:

(a) In forming new company, a company's capital structure may be raised by issuing shares and debenture. Identify **THREE** (3) differences between shares and debentures.

(3 marks)

(b) One of the factors that determine the purchase price is goodwill. Briefly explain what will happen when a goodwill appears in individual books.

(2 marks)

Part B

Mawar Sdn Bhd. and Melor Sdn Bhd., two medium-sized companies decided to amalgamate and form a new company named Bunga Bhd. Below is the Statement of Financial Position for both companies as at 31 December 2018:

Statements of Financial Position As at 31 December 2018		
	Mawar	**Melor**
Non-current Assets	RM	RM
Building	650,000	423,000
Office Equipment	211,000	162,000
Furniture and fitting	93,000	74,000
Goodwill	35,000	10,000
	989,000	669,000
Current Assets		
Bank	90,000	75,000
Trade Receivables	202,000	142,000
Inventories	128,000	117,000
	420,000	334,000
TOTAL ASSETS	**1,409,000**	**1,003,000**
Equity		
Ordinary shares capital	800,000	1,000,000
300,000 9% Preference shares	300,000	
	1,100,000	1,000,000
Reserves		
Retained Profit / (Loss)	220,000	(125,000)
Liabilities		
Trade Payables	89,000	128,000
TOTAL LIABILITIES AND EQUITY	**1,409,000**	**1,003,000**

Continued...

Additional information:

1. An agreement was drawn up on 1 January 2019 for the acquisition of Mawar Sdn. Bhd and Melor Sdn. Bhd by Bunga Bhd.

2. Bunga Bhd was formed specifically to acquire all the assets and liabilities of both companies with the exception of RM10,000 of Mawar Bhd's bank account and RM15,000 of Melor's bank account. The cash retained by these companies is to be used to discharge the liquidation expenses.

3. The purchase consideration payable to Melor Sdn. Bhd. is to include:

For the ordinary shareholders	
880,000 fully paid ordinary shares in Bunga Bhd.	RM1,100,000

4. The purchase consideration payable to Mawar Sdn. Bhd is to consist of the following:

For the ordinary shareholders	
800,000 fully paid ordinary shares in Bunga Bhd.	RM1,000,000
For the preference shareholders	
300,000 fully paid ordinary shareholders in Bunga Bhd.	RM350,000

5. The assets of Mawar Sdn. Bhd and Melor Sdn. Bhd will be taken over at the following values:

	Mawar	**Melor**
	RM	RM
Trade Receivables	190,000	120,000
Inventories	110,000	99,000
Building	700,000	500,000
Office Equipment	200,000	150,000
Furniture and fitting	89,000	70,000

6. The ordinary shares of Bunga Bhd are valued at RM1.25 per share.

7. Liquidation expenses of Mawar and Melor were RM10,000 and RM15,000, respectively.

Instructions

(a) Calculate the purchase consideration and goodwill for both companies. (6 marks)
(b) Prepare the journal entries to open the books of Bunga Bhd. (9 marks)
(c) Prepare the ledger for Business Purchase Account in Bunga Bhd. (5 marks)

[TOTAL 25 MARKS]

End of Page.